

The investment strategy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

Dear Shareholder

We would like to extend a warm welcome to new shareholders in the Company following January's fundraising allotment, and to thank our existing shareholders who invested further as part of the Offer. We look forward to updating you on our progress on adding further innovative, growing companies to the portfolio over the coming months.

The existing portfolio continues to perform well, with many companies consistently growing revenues and capturing more of their target markets. This gives BSC the opportunity to invest further in these companies, backing high performing management teams to continue, or often accelerate, the execution of their strategy.

Having shown resilience when faced with Brexit and Covid-19, the latest challenges for the portfolio are dealing with the emerging consequences of the recent invasion of Ukraine by Russia. We have been closely monitoring this and were able to take proactive action within the portfolio before the invasion began. This was principally around two portfolio companies who had a small section of their software development teams based in Ukraine. From a business perspective, continuity of supply and service has been secured, with teams relocated to Poland, although we are aware of a small number of developers who we believe are directly caught up in the conflict and our thoughts are with them and all those suffering the humanitarian impact of the war.

Performance

BSC has continued to perform well, and during the quarter returned a further 1.6 pence per share, a 1.8% return. In the first nine months of its financial year, the Company has delivered a return of 18.7 pence per share, with the Net Asset Value (NAV) up by 11.7 pence per share after paying dividends of 7.0 pence per share. This represents a 24.7% return on the opening NAV at 1 April 2021. A further 2.0 pence per share dividend was paid post period-end, in January 2022.

Realisations

During the last quarter, BSC completed the realisation of 15 per cent of its investment in Matillion as part of its Series E funding. The proceeds from this partial exit were £5.0 million which, together with previous proceeds received of £2.1 million, represents a total return to date of 2.7x the total cost of the Company's investment. The value of the Company's residual investment in Matillion at 31 December 2021 was £29.7 million. This is an outstanding outcome to date, in a company which is experiencing continued fast growth.

Total proceeds from all full and partial realisations in the quarter were £6.4 million, a gain of £3.5 million over cost.

Shareholder workshop

We have traditionally held an in-person shareholder workshop each year, but have been prevented from doing so since 2019. So we are particularly pleased to be able to reinstate this tradition this year, giving us the opportunity to meet shareholders in British Smaller Companies VCT plc, and so that you can meet the YFM team, along with members of the Boards of Directors of the Companies. It is also a chance for you to hear from some of the CEOs of your portfolio companies and for us to give you some background to the making, managing and divesting of holdings in unquoted businesses.

The workshop will take place in central London on Wednesday 29 June 2022. Your invitation is enclosed and further detail is given below. We hope you'll be able to join us.

Thank you again for your continued support.



David Hall
Managing Director, YFM Equity Partners



Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT plc may go down as well as up and you may not get back the full amount invested.

Shareholder workshop: Wednesday 29 June 2022

We are delighted to announce that the next shareholder workshop will take place at One Great George Street, Westminster, London, SW1P 3AA, on Wednesday 29 June 2022. We expect to begin with registration between 10:00am – 10:30am and to finish at approximately 1.30pm for lunch.

If you would like to attend, the best way to do this is to email Tracey at tracey.nice@yfmeop.com (please make sure you include your address) or return the reply slip from the attached letter, in the enclosed envelope. **Please do not write anything on the envelope - FREEPOST YFM - is correct.**

Confirmation and an itinerary of the day will be emailed/posted out nearer the time.

If you need any further information, please call Tracey on 0113 261 6478.



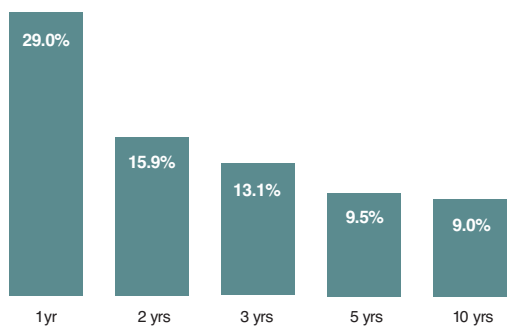
Business: Video production
Location: London
Transaction: Growth capital
Investment size: £3,660,000
Investment date: 2019

“It’s a really exciting time for Wooshii, and the funding from YFM will allow the business to capitalise on the huge opportunity that lies ahead. We selected YFM as a partner given their knowledge of our market as well as having supported numerous businesses like Wooshii through this planned phase of growth. We built a great relationship with the team during the process and have enjoyed their straightforward and pragmatic approach.”

FERGUS DYER-SMITH, FOUNDER AND CEO OF WOOSHII

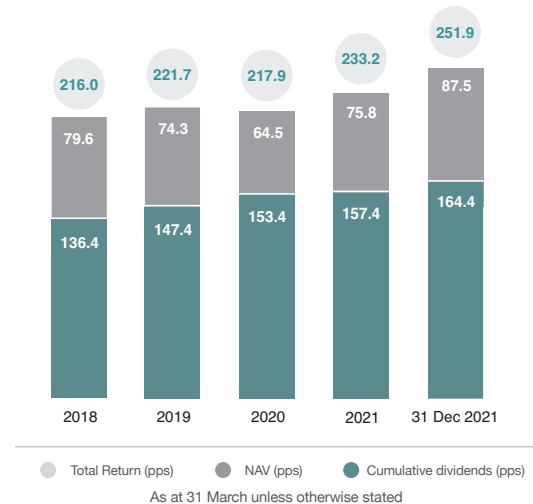
BSC Investment Rate Of Return

BSC average investment rate of return per annum over 1, 2, 3, 5 and 10 years to 31 December 2021.



Excluding DRIS and benefits of all tax reliefs

BSC Total Shareholder Return



Are you in the Dividend Re-investment Scheme? How to claim your upfront tax relief.

As an aid, here is a reminder how to claim your initial 30% upfront tax relief when purchasing new shares. This also applies to shares where dividends are re-invested, as those shares are treated as new shares.

There are two ways to claim:

- 1) If you complete a self-assessment tax return, you can complete the SA101 additional information form, which can be downloaded from here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/974830/SA101-2021-Online.pdf
- 2) If you have invested towards the start of the tax year, you can call or write to HMRC asking them to adjust your tax code. This means the amount of income tax you pay will be reduced on a month-by-month basis, until your income tax relief is used up. You will need to include your national insurance number, a P60 form and a photocopy of your VCT tax certificate (if you do this it is likely that HMRC will ask for a tax return to be completed).

The letter can be sent to:

HM Revenue and Customs
 Pay As You Earn and Self-Assessment
 HM Revenue and Customs
 BX9 1AS United Kingdom.

You can call **0300 200 3300** if you want to speak to HMRC directly.

Please note that:

- The income tax claimed cannot exceed the amount of the tax due.
- The maximum investment on which income tax can be reclaimed is £200,000 per annum. If you are in the Dividend Re-investment Scheme, please make note of this.
- If you forget to claim your tax relief, you can go back for up to five tax years.



For further information on this or any other shareholder matter, simply contact Tracey Nice (details on back page) who will be happy to help.

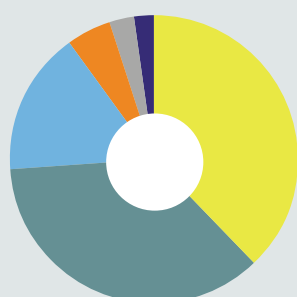
Portfolio Update

In the quarter to December, the investment portfolio delivered net realised and unrealised gains of £2.8 million (after netting off additions and proceeds). While Matillion continues to be a significant driver of value, it is pleasing to see the fair value increases arising across a range of companies, including tech-focused businesses such as Force24 and Elucidat, as well as companies benefiting from the ongoing post-pandemic recovery of the retail sector, such as Tonkotsu and Frescobol. The portfolio now includes 22 companies valued at over £1.0 million.

Company	Website	Unaudited investment valuation at 30 Sep 2021 £000	Proceeds £000	Additions £000		Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 31 Dec 2021 £000	% of net asset value of £128.4m
Matillion	matillion.com	33,683	(4,967)	–	↑	939	29,655	23.1%
Springboard	spring-board.info	6,186	–	89	↓	(337)	5,938	4.6%
Intelligent Office UK	intelligentofficeuk.com	4,600	–	–	↑	144	4,744	3.7%
Wooshii	wooshii.com	4,399	–	–	↑	344	4,743	3.7%
Unbiased	unbiased.co.uk	4,179	–	–	↑	445	4,624	3.6%
Elucidat	elucidat.com	4,193	–	–	↑	204	4,397	3.4%
SharpCloud	sharpcloud.com	3,999	–	–	↑	393	4,392	3.5%
Force24	force24.co.uk	3,853	–	–	↑	307	4,160	3.2%
ACC Aviation	accaviation.com	3,576	–	–	↑	85	3,661	2.9%
Displayplan	displayplan.com	3,098	–	–	↑	414	3,512	2.7%
Top 10 total		71,766	(4,967)	89	↑	2,938	69,826	54.4%
Remainder of unquoted portfolio		26,848	(1,405)	150	↓	(122)	25,471	19.8%
Total portfolio		98,614	(6,372)	239	↑	2,816	95,297	74.2%

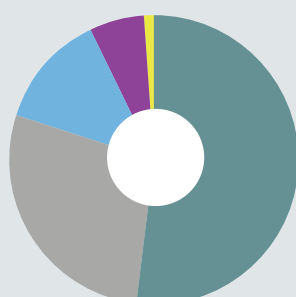
Portfolio at a Glance

VCT Rules Pre 2015 (%)



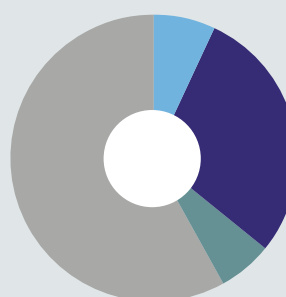
- Business Services: 38%
- Data & Analytics: 36%
- New Media: 16%
- Other: 5%
- Software Applications: 3%
- Advanced Manufacturing: 2%

VCT Rules Post 2015 (%)



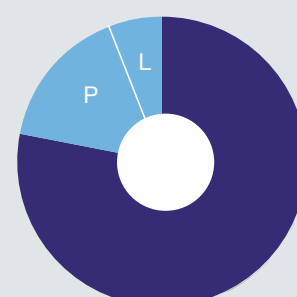
- Data & Analytics: 52%
- Software Applications: 28%
- New Media: 13%
- Retail & Brands: 6%
- Business Services: 1%

Age Of Investment (%)



- Less than 1 year: 7%
- 1 – 3 years: 29%
- 3 – 5 years: 6%
- 5+ years: 58%

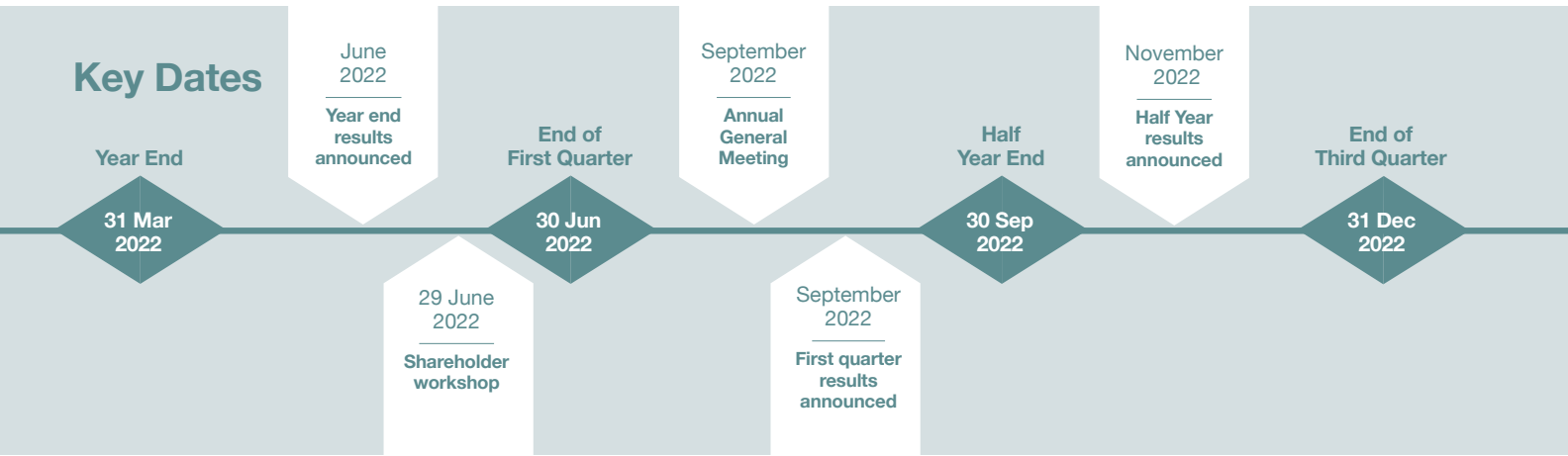
Investment Instrument (%)



- Ordinary shares: 78%
- P Preference shares
- L Loan

Data source: Based on BSC Valuations at 31 December 2021

Key Dates



For your Records - Dividends and Dates

The table below displays the dates when BSC dividends have been paid and we hope you find it useful in keeping and checking your records.

Date paid	Pence per share
Cumulative to 31 March 2012	79.20
17 August 2012	3.00
14 January 2013	2.00
13 August 2013	4.50
21 March 2014	2.00
1 August 2014	3.50
7 January 2015	2.00
2 March 2015	2.50
4 August 2015	3.50

Date paid	Pence per share
7 September 2015	3.50
15 January 2016	2.00
11 March 2016	1.00
5 August 2016	2.00
5 August 2016	3.50
18 January 2017	16.50
26 May 2017	5.75
18 May 2018	4.00
15 February 2019	7.00

Date paid	Pence per share
12 June 2019	4.00
20 March 2020	2.00
31 July 2020	2.00
5 October 2020	2.00
23 July 2021	2.00
16 November 2021	5.00
Cumulative to 31 December 2021	164.45
5 January 2022	2.00

Important notice



This Investor Update is for information only. It has been provided to help you understand how the fund is invested and performing. It is not an offer to invest in the company and should not be used for making investment decisions. Please contact your financial adviser if you require further explanation or advice.

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT plc ("the Company") may go down as well as up and you may not get back the full amount invested.

Nothing within this Investor Update should be construed as investment, tax, legal or other advice. Tax treatment depends on individual circumstances, and may be subject to change in the future.

This Investor Update has been issued by YFM Private Equity Limited ("YFM"), which is authorised and regulated by the Financial Conduct Authority (FRN: 122120). YFM is the Fund Manager to the Company. YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP which is registered in England and Wales No: OC384467. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

Contact us

Please call or email for further information on any shareholder issue, including switching to direct dividend payments, and for more details on the shareholder workshop.

- Dividends
- Shareholder workshop
- General

Tracey Nice

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